

Message Text

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ACTION EUR-12

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AMEMBASSY SOFIA
AMEMBASSY VIENNA
AMEMBASSY WARSAW

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E.O. 11652: GDS
TAGS: ENRG, ETRD, COMECON, HU, UR
SUBJECT: SOVIET-HUNGARIAN HARD CURRENCY TRADE

1. HUNGARIAN ECONOMIC JOURNALIST RESIDENT IN MOSCOW TOLD E/C COUNSELOR SEPTEMBER 8 THAT HUNGARY IS OBLIGED TO PAY HARD CURRENCY FOR PART OF SOVIET CRUDE OIL DELIVERIES. SOURCE FLATLY DENIED THAT THIS WAS FOR OVER-PLAN DELIVERIES. ASKED WHAT PART OF AGREED DELIVERIES WERE BILLED IN HARD CURRENCY, JOURNALIST SAID "ABOUT FIFTEEN PERCENT." SOURCE STATED, HOWEVER, THAT HUNGARY NEVERTHELESS RUNS POSITIVE HARD CURRENCY BALANCE WITH USSR ANNUALLY

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BECAUSE OF DELIVERIES OF MEAT AND GRAIN. HE ASSERTED THAT HUNGARY IS ACTUALLY PAID FOR THIS SURPLUS, AND THAT TRANSACTION IS NOT MERELY A BOOKKEEPING ONE.

2. ASKED IF HUNGARIAN GOVERNMENT WAS CONCERNED ABOUT POSSIBILITY OF FUTURE DECLINE OR EXTINCTION OF SOVIET OIL DELIVERIES, OR IF SOVIETS HAD EVER COMMENTED ON THIS

POSSIBILITY, SOURCE RESPONDED IN THE NEGATIVE. ASKED HOW HUNGARIANS MIGHT PAY FOR OPEC CRUDE OIL DELIVERIES IN CASE SOVIET SUPPLIES DIMINISHED, SOURCE ACKNOWLEDGED THAT IT WOULD PRESENT DIFFICULTIES. HE COMMENTED THAT COMECON COUNTRIES WERE FACING FLAT GROWTH RATES WHICH PRESUMED THAT ENERGY CONSUMPTION CURVE WOULD ALSO BE FLAT.

3. JOURNALIST PREDICTED THAT SOVIETS WILL BE MOVING "IN A FEW YEARS" TO RAISE PRICES SUBSTANTIALLY FOR BASIC COMMODITIES BUT DID NOT SUPPLY ANY GROUNDS FOR HIS PRE-SUMPTION OTHER THAN THAT YOUNGER ECONOMISTS WOULD BE GAINING MORE AUTHORITY IN THE USSR. ASKED THERE WERE ANY BURIED TRENDS TOWARDS EASTERN EUROPEAN TYPE OF REFORM HE HAD NOTED IN USSR, SOURCE SEEMED NON-COMMITAL. HE MENTIONED NOVOSIBIRSK JOURNAL (EKO) FAVORABLY AND ADDED WITH EVIDENT PRIDE THAT PROFESSOR ABEL AGANBEGYAN'S FATHER WAS A HUNGARIAN.

4. IN SEPARATE COMMENTS TO ANOTHER EMBOFF ON HUNGARY'S TOP ECONOMIC LEADERSHIP, SOURCE'S COMMENTS WERE RATHER CAUSTIC. PRIME MINISTER GYORGY LAZAR WAS DESCRIBED AS A "NINE TO FIVE" TYPE WITHOUT ENERGY OR IMAGINATION. DEPUTY PRIME MINISTER GYULA SZEKER WAS CHARACTERIZED AS A BLATANT OPPORTUNIST WHO OWED HIS RAPID PROMOTIONS TO HIS MARRIAGE TO DAUGHTER OF DURABLE POLITBURO MEMBER ANTAL APNO. SOURCE THOUGHT VERY HIGHLY OF DEPUTY

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PRIME MINISTER HUSZAR AND VOICED REGRET THAT HUSZAR'S JEWISH BACKGROUND WOULD ALMOST CERTAINLY PREVENT HIM FROM ACHIEVING HIGHER OFFICE.

5. COMMENT: SOURCE, WHO IS LEAVING MOSCOW AFTER THREE YEAR ASSIGNMENT, SEEMED ABSOLUTELY CONVINCED OF ACCURACY OF HIS STATEMENTS REPORTED IN PARA ONE. WITH SPECIFIC REFERENCE TO HIS ASSERTION THAT THE HARD CURRENCY TRADE IS IN HUNGARY'S FAVOR, PUBLISHED SOVIET STATISTICS INDICATE HUNGARIAN EXPORTS OF GRAIN DROPPED OFF FROM RUBLES 115,809,000 IN 1975 TO ONLY 41,036,000 IN 1976 AND THAT MEAT AND MEAT PRODUCTS EXPORTED DROPPED FROM RUBLES 66,879,000 TO 44,780,000 IN SAME PERIOD. WE CAN ONLY SPECULATE HOW MUCH, IF ANY, OF THIS SUM WAS ACTUALLY COMPUTED IN HARD CURRENCY. HIS STATEMENT CONTRADICTS WHAT SOVIET OFFICIALS TELL US ABOUT CEMA TRADE, INCLUDING OIL DELIVERIES, ALTHOUGH THEY ARE SELDOM WILLING TO BE VERY SPECIFIC.

5. SOURCE WAS CLEARLY LESS CERTAIN ABOUT HIS FACTS OR SPECULATIONS REPORTED IN PARAS. TWO AND THREE. WE SEE NO SIGNS OF ANY SOVIET DRIFT TOWARDS ECONOMIC REFORM, INCLUDING

A BOW IN THE DIRECTION OF MORE RATIONAL RETAIL PRICING.
CONTINUED INVOLVEMENT IN INTERNATIONAL TRADE PRESUMABLY
CONDUCES TOWARD SUCH A DRIFT, BUT THE RESTRAINTS
ARE STILL VERY APPARENT. OF COURSE, OUR HUNGARIAN FRIEND
ENJOYS READIER ACCESS TO SOVIET ECONOMISTS THAN WE HAVE,
SO WE BELIEVE HIS COMMENTS ARE WORTH REPORTING. WE AGREE
THAT AMONG SOVIET ECONOMIC JOURNALS EKO IS WELL WORTH
READING.

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